Vista Multiestrategia Fund and Vista Hedge Fund registered returns of 7.66% and 2.98% respectively in April and 37.64% and 14.21% respectively in 2022.

In the month, the main positive contributions to the fund came from commodities and hedging positions. Hedges in currencies, especially dollars against emerging currencies such as China and Chile, and sold positions in US equities added to the result. On the downside, the Brazilian equities allocation suffered from global deleveraging, but our losses were cushioned with some important defensive movements through sold positions in index and banks.

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Almost 3 years ago we began to outline a macroeconomic scenario that would guide our investments. The starting point was at the beginning of the discussion of the new FED framework in 2019. As frequently discussed since then, the US monetary policy from the new framework would be much more accommodative for the same cyclical condition than in other periods of the modern era of central banks. The extremely aggressive reaction of fiscal and monetary policies to the pandemic would complete the scenario widely discussed in this forum.

"However, there is no free lunch. If the limits of the expansion of public debt are extended, whoever pays the bill is the holder of the money or, more precisely, who finances governments with a real negative return."

The above excerpt from our December 2020 letter reflects who we believed to be the big loser of this arrangement. The assets, especially the finite and scarce ones, would be the big winners and our risk allocation has been in this direction over the past few years.

In the *post mortem* of our investment theses, an exercise that we always seek to do, some things draw our attention. For example, the allocation in commodities proved to be quite correct, as well as in large cap US stocks back in 2020. On the other hand, we were partially frustrated by not investing in the developed countries real estate market, either due to a greater conservatism in the management of the fund or due to liquidity issues, perhaps both exaggerated a *posteriori*.

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Although our scenario embodied the expectation of an inflationary acceleration, the scope and intensity of the movement still underway have been surprising.

It was not only commodities of difficult production, in regions at war and with relevant depletions that presented supply problems, nor only real estate in noble regions of developed countries and with a shortage of land. Severe imbalances between supply and demand, potentiated by the paralysis of global supply chains, hit several goods, from used cars to electronic products, with very important global inflationary effects.

We quote our letter of March of 2020 here, at the beginning of the pandemic, and the learnings from the economic history:

"In a recent speech, Boris Johnson called his mandate a "war government", given the need to implement "unprecedented measures since the World War II". In one of them, the British State decided to pay most of the unemployed wages, just as in most other parts of the world. In 1940, John Maynard Keynes wrote "How to Pay for the War", which became one of the best debates on finance in war times. Keynes argued: the war efforts and the fiscal deficit had allowed the population to live in full job with high available income in the midst of the conflict. As national production was predominantly intended for arms production, there was a natural restriction on the supply of other products. The strong demand without a supply production would ask for some solutions/suggestions, such as, for example, an income tax of up to 97%. Therefore you could finance the debt and avoid running out of scarce items. Bringing the discussion to our current war, if the goal is achieved and the fiscal expansion supports aggregate demand, would a supply shock - be it logistics, production, working capital, etc. - could disrupt the biggest consensus of all, that the crisis is deflationary? We have already reminded of the disaster of forecasts regarding the effects of monetary expansion in 2009."

The post-2020 "war" was not financed by an increase in income tax but by central banks and the significant increase in inflation, which in fact overturned the 2020 consensus that we would experience a deflationary shock. The transience of inflationary pressures discussed in 2021 was also in the past and central banks, in a clumsy way and without the same intellectual leadership of the post-2008 period, begin to limit the damage. In a simplified way, we can say that our scenario comes to an end after 3 years.

"The difficulty lies not so much in developing new ideas as in escaping from old ones." J.M. Keynes

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The end of a clear macro vector places us at uncertain times. A discontinuous event such a pandemic can always trigger scenarios, but this is more the exception than the norm and is not the current case. Most likely, and where we are now, is that we go through a period of study and observation to find new winds that match our long-term investment horizon.

Moreover, the current period is dominated by more concerns and fewer certainties, with relevant effects on portfolio composition. Therefore, the difficulty of a clear directional scenario requires an even more risk- and return-focused discussion.

As an example, the construction of our oil position, which was assembled from the conjunction of several probabilistic opinions about supply and demand components. Our strong conviction of the difficulty of resuming the production of the American shale was added to the expectation of a continuous strengthening of demand, in part due to the strength of the stimuli or the favorable evolution of the pandemic. Today that has changed.

On the supply side, our most pessimistic models indicated a growth of 700,000 barrels of American production and reality has shown a scenario closer to production stagnation. In addition, concerns about OPEC + idle capacity and sanctions on Russian oil make supply-side problems even more evident. Across the spectrum, China's "Zero Covid" policy and the significant rise in prices, especially derivatives, can test the resilience of global demand.

In other words, our convictions are much less balanced between supply and demand than they once were. Looking at it from another perspective, even if the situation of oil shortages in the world proves to be much more serious than expected, there is a pertinent doubt about the intensity of the slowdown in the global economy and the resulting impact on oil demand.

Without yet a more definitive answer on the magnitude of the global slowdown, we have intensified the debates on the effects of the war in Ukraine, the limits of the current "Zero Covid" policy in China, and the effects of monetary tightening, and a less expansionary fiscal policy on activity. From there, we must seek specific hedges of global demand on our oil position.

Over the past month we have already seen results from such discussion. Gains in currency hedges, for example, are directly associated with a more pessimistic view of economic activity in China and other emerging countries, especially when compared to the American economy.

For the next few months, we will have very important debates. Is the excess of household savings, especially in developed economies, sufficient to prevent a more abrupt global economic downturn? Will Europe be able to escape a recessive scenario considering the magnitude of the negative real income shock?

Will central banks be able to raise interest rates at the intensity of the prices embedded in interest curves, even more so with the already visible tightening in financial conditions? Will the assets and goods that were shown as scarce, but in fact were not, be struck by a more pronounced deflation? What are the transient and persistent effects of a longer pandemic in China? Is the recent slowdown in nominal wages already a first sign that the US labour market is slowly rebalancing itself?

Until we have more definitive answers to the above questions, the search for global activity hedges will be one of our central goals, aiming to reduce directional betting in an uncertain scenario.

We remain at your service.

Vista Capital